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China's Challenge: Conforming to Sanitary & Phytosanitary Measures for Agricultural Exports

Ever since China's entrance into the WTO in 2001, the country's bilateral trade has grown significantly due to eliminated or lowered tariffs. In 2002, the value of China's exports and imports of agricultural products realized \$14.5 billion and \$16 billion respectively. In spite of this, the country's expectations of a large, positive impact on the domestic production on products such as vegetables, seafood, fruits, livestock, and poultry resulting from the admission into the WTO proved to be unrealistic.

Failure to meet sanitary and phytosanitary (SPS) standards has obstructed substantial growth. Ninety percent of Chinese exports of feedstuffs, domestic produce, and animal by-products were hit with foreign technical trade barriers equating to a loss of U.S. \$9 billion in 2002, according to China's Ministry of Commerce.

In 2002, China encountered SPS problems with the EU, Japan, and the U.S. resulting in SPS accredited losses of 41 percent, 30 percent, and 24 percent respectively to China. The U.S. FDA alone refused 1,285 shipments, 630 of which were agricultural and aquatic products, from August 2002 to July 2003.

China's major SPS issues deal with excessive pesticide residues, low food hygiene, unsafe additives, contamination, and the misuse or abuse of veterinary drugs. These problems have run rampant in China for a long time and are common problems for developing countries.

Most of China's SPS problems stem from a failure to establish guidelines for agricultural and food products that are up-to-date and consistent and sufficient to meet present international standards and requirements. China lacks effective methods to control the noncompliance of agricultural production and processing sectors with regulations.

The result is the misuse and abuse of chemical fertilizers, pesticides, and antibiotics by the more than 900 million producers generated by obsolete production techniques and technology, the scattered concentration of small scale farming operations, the lack of incentive to comply with standards, and the limited access of SPS information, equipment, and expertise.

In response, action is being taken to improve China's production and marketing environment by updating its' standards and regulations, educating producers, and establishing demonstration farms to show correct and safe production practices. Additionally, they are trying to attract foreign direct investments (FDI) in the hope that the funds will introduce capital, advanced technology, and management and marketing skills to improve product quality, increase exports, and assist in the country's transition from traditional to modern agricultural operations. China is also supporting large scale enterprises and encouraging small scale farmers to operate as single large scale entities hoping to lower the costs of compliance. The creation and implementation of Hazard Analysis and Critical Control Point (HACCP) systems is another strategy the government is using to reduce SPS violations.

Chinese producers are also taking a close look at the organic market opportunities as there is a strong demand for such products on the world market, higher product market prices, technology that favors small producers, and the relatively low labor costs. In 2002, the world trade in organic foods equaled U.S. \$21 billion and is still growing.

China's agricultural export potential hinges on the level and changes in SPS requirements by major importing countries, Chinese producers' adjustment, and the competition from other exporting countries. While China is working to respond to SPS regulations, the country worries others will use SPS barriers to keep out lower cost Chinese products to protect their domestic markets, so China is taking steps and participating in bilateral negotiations to resist unfair trade restrictions and discrimination with the WTO to create a more equal position for its' agricultural exports.

Source: Iowa State University/Iowa Ag Review

Chinese Exports of Poultry Meat & Shell Eggs from 1997-2002

Year	Poultry Meat		Shell Eggs	
	Quantity (MT)	Value (1000\$)	Quantity (MT)	Value (1000\$)
1997	398,051	753,377	60,708	42,480
1998	379,934	661,862	56,095	33,694
1999	435,010	726,829	44,471	25,116
2000	550,737	887,492	64,997	31,370
2001	583,105	980,580	58,121	32,602
2002	565,406	882,372	83,938	36,865

Source: Food & Agriculture Organization of the United Nations

Japan's Sanitary & Phytosanitary System & It's Withdrawal of Food Additive Registrations

Japan's Ministry of Health, Labor, and Welfare (MHLW) has a three tiered system of regulations for imported foods: monitoring, testing-by-order, and comprehensive ban. Each provides an increased level of regulatory control.

MHLW monitors imported products for antimicrobials, residue chemicals, food additives, microorganisms, fungal toxins, and unapproved genetically modified products at 3 to 5 percent on a regular basis. After a second violation on a product, testing-by-order is imposed requiring each shipment to be held at the port until test results come back negative, taking between 3-4 days, sometimes 1-3 weeks. The next step is a comprehensive ban, which can be implemented if there is a high risk of continued violations and where testing-by-order reveals a rate of violation greater than 5 percent.

Japan has prepared a list of 38 food additives to be withdrawn from its approved list of food additives and is seeking comments on the proposed withdrawals. The list was published in February 2004 and is open for comments until August 2004 after which a revision to the list of existing food additives will be made in February 2005 and enforced in August of 2005. All comments should be addressed to USDA FAS.

Source: USDA FAS

Inspected Egg Products-U.S. & Canada Export/Import Trade**U.S. Exports to Canada, in Pounds (000) (Preliminary)**

Week Ending July 17, 2004	Year-To-Date			
TYPE	2004	2003 /1	2004	2003
Liquid	148	362	7,090	8,884
Frozen	0	0	11	96
Dried	0	55	434	325
Total	148	417	7,535	9,305

U.S. Imports From Canada, in Pounds (000) (Preliminary)

Week Ending July 17, 2004	Year-To-Date			
TYPE	2004	2003 /1	2004	2003
Liquid	367	148	4,705	3,027
Frozen	0	30	949	1,589
Dried	0	17	3,218	817
Total	367	195	8,872	5,433

Inspected Shell Eggs**U.S Exports To Canada, In 30-Dozen Cases (Preliminary)**

Week Ending July 17, 2004	Year-To-Date			
TYPE	2004	2003 /1	2004	2003
Jumbo	0	0	272	256
Extra Large	830	750	52,485	12,707
Large	4,650	2,828	123,399	55,814
Medium	4,338	2,321	54,158	34,953
Ungraded	3,876	1,400	171,264	47,966
Misc	0	0	14,724	3,432
Total	13,694	7,299	416,302	155,128

/1Comparable Week, to-date figures may not total due to rounding.

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section
Source: USDA/AMS Poultry Programs, Market News Branch.**LIVE POULTRY SLTRD UNDER INSPECTION** W/E 17-Jul-04
(PRELIMINARY)**U.S. FOWL SLAUGHTERED DOMESTICALLY**

	LIGHT HENS	HEAVY HENS	TOTAL HENS
	THOUSANDS		
Head	1,614	1,420	3,034
Last Week	1,361	1,229	2,590
Same week yr ago	1,141	1,642	2,783
To-date/2004	37,672	36,415	74,087
To-date/2003	45,002	38,521	83,523

U.S. FOWL SLAUGHTERED IN CANADA

	LIGHT HENS	HEAVY HENS	TOTAL HENS
	THOUSANDS		
Head	301	8	309
Last Week	215	11	226
Same week yr ago	366	8	374
To-date/2004	6,663	91	6,754
To-date/2003	7,323	104	7,427

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section

TOTAL U.S. FOWL SLAUGHTERED IN THE U.S. AND CANADA

	LIGHT HENS	HEAVY HENS	TOTAL HENS
	THOUSANDS		
Head	1,915	1,428	3,343
Last Week	1,576	1,240	2,816
Same week yr ago	1,507	1,650	3,157
To-date/2004	44,335	36,506	80,841
To-date/2003	52,325	38,625	90,950

Source: USDA/AMS Poultry Programs, Market News Branch

CENTRAL REGION MECHANICALLY SEPARATED CHICKENF.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED
FOR MECHANICALLY SEPARATED CHICKEN IN THE CENTRAL
REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES,
CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

		July 23, 2004
<u>CHICKEN</u>	PRICES	VOLUME
	(Cents per Pound)	

FAT CONTENT	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	-	-	-	-
WTD AVERAGE				

CHICKEN, WITH SKIN ADDED

	PRICES		VOLUME	
	(Cents per Pound)			

FAT CONTENT	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	-	18.00	183,600	-
WTD AVERAGE		18.00		
15-20%				
RANGE	13.75-17.00	12.00-17.00	2,352,800	1,006,400
WTD AVERAGE	15.09	14.51		

FAT CONTENT	FROZEN	FRESH	TOTAL	EXPORT
20% OR MORE				
RANGE	-	-	-	-
WTD AVERAGE				

* INCLUDES THE STATES of AL, AR, IA, IL, IN, KS, KY, LA, MI, MN,
MO, MS, ND, NE, OK, OH, SD, TN, TX, WI**EASTERN REGION MECHANICALLY SEPARATED CHICKEN**F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED
FOR MECHANICALLY SEPARATED CHICKEN IN THE EASTERN
REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES,
CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

July 23, 2004			
<u>CHICKEN</u>	PRICES		VOLUME
	(Cents per Pound)		

FAT CONTENT	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	-	-	-	-
WTD AVERAGE				

CHICKEN, WITH SKIN ADDED

	PRICES		VOLUME	
	(Cents per Pound)			

FAT CONTENT	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	16.50	20.00	1,328,000	728,000
WTD AVERAGE	16.50	20.00		
15-20%				
RANGE	16.00-21.00	15.50-18.50	2,368,800	1,248,000
WTD AVERAGE	18.42	16.87		

FAT CONTENT	FROZEN	FRESH	TOTAL	EXPORT
20% OR MORE				
RANGE	-	14.00	80,000	-
WTD AVERAGE		14.00		

* INCLUDES THE STATES of CT, DE, FL, GA, MA, MD, ME, NC, NH,
NJ, NY, PA, RI, SC, VA, VT, WV

NATIONAL YOUNG TURKEY PARTS AND BULK MEAT, FROZEN (UNLESS SPECIFIED), CENTS PER LB., DELIVERED FIRST RECEIVERS, PART AND FULL TRUCKLOTS AS OF 23 JULY 2004.

Market activity limited to spot loads for domestic needs. Fresh tom breast meat was mostly steady and supplies were adequate to fully adequate. Fresh destrapped tenders were strong in part due to the price spread with fresh breast meat. Frozen wing meat was barely steady while fresh wing meat was steady and fresh supplies were well cleared. Fresh breast trim was fully steady on limited supplies. Institutional breasts: plant grade non-basted 10-12 lb at 110, 12-16 lb at 115 and 16 -18 at 120. Grade A nonbasted 14-16 lb breasts at 128. Export inquiry focused on thigh meat, otherwise export markets fairly quiet.

FRIDAY, JULY 23, 2004**EXPORT TRADING**

	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)	WEEKLY WTD AVG PRICE	WEEKLY VOLUME (000)
DRUMSTICKS, TOMS		W	32.50	40	31.29	212
WINGS FULL-CUT - TOMS		M	34.00	40	34.00	40
WINGS, V-TYPE, TOM						
TAILS		R	32.00	40	32.50	80
MECHANICALLY SEPARATED 2/		F	17.00	208		
THIGH MEAT - FROZEN		R	70.00	80	71.03	292

THURSDAY, JULY 22, 2004**EXPORT TRADING**

	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS		W	32.50	40
WINGS FULL-CUT - TOMS		M	34.00	40
WINGS, V-TYPE, TOM				
TAILS	32.00		32.00	40
MECHANICALLY SEPARATED 2/		F	17.00	208
THIGH MEAT - FROZEN	70.00		70.00	80

WEDNESDAY, JULY 21, 2004**EXPORT TRADING**

	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS	32.50		32.50	40
WINGS FULL-CUT - TOMS		M	34.00	40
WINGS, V-TYPE, TOM				
TAILS	33.00		33.00	40
MECHANICALLY SEPARATED 2/		F	17.00	208
THIGH MEAT - FROZEN	69.00-73.50		72.38	160

TUESDAY, JULY 20, 2004**EXPORT TRADING**

	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS	29.50		29.50	52
WINGS FULL-CUT - TOMS		M	34.00	40
WINGS, V-TYPE, TOM				
TAILS		F	25.00	208
MECHANICALLY SEPARATED 2/		F	17.00	208
THIGH MEAT - FROZEN	68.50		68.50	52

MONDAY, JULY 19, 2004**EXPORT TRADING**

	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS	31.50-32.00		31.67	120
WINGS FULL-CUT - TOMS	34.00		34.00	40
WINGS, V-TYPE, TOM				
TAILS		F	25.00	208
MECHANICALLY SEPARATED 2/		F	17.00	208
THIGH MEAT - FROZEN		R	68.00	200

1/ CODES FOR LAST SIGNIFICANT TRADE (L.S.T.): M=MONDAY T=TUESDAY W=WEDNESDAY R=THURSDAY F=FRIDAY

2/ Product contains 15-20% fat with skin added.